BRITISH COLUMBIA

# BC STATS Infoline

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Issue: 00-04 9 Pages
January 28, 2000

## highlights

a weekly digest of recently released British Columbia statistics

### *The Economy*

- **Retail sales in the province remained weak in November, dipping to 0.2% (seasonally adjusted) below October's level.** Overall, sales have been improving, but have seesawed up and down during most of the last year. They were up 1.2% year-to-date, suggesting that annual sales figures for 1999 will show a slight improvement over 1998. Still, consumers in the province have kept a relatively firm grip on their purse strings. Canadian retail sales were 5.4% higher than in the first eleven months of 1998, and BC's gain was modest compared to other regions, where sales rose at rates ranging from 2.5% in Manitoba to 9.2% in PEI. Saskatchewan (+0.5%) was the only region where sales growth was weaker than in BC.

  *Source: Statistics Canada*

- **The demise of the Eatons chain helped pull down sales figures across the country in November.** In BC, department store sales plunged 9.9% (seasonally adjusted), posting the largest month-to-month decline since the beginning of the decade. Although department stores account for only about six percent of total retail sales in the province, the weakness in this sector was one of the main factors contributing to the overall decline in retail sales in November. Sales by other retailers were up 0.5% in that month.

  *Source: BC STATS*

- **Sales by wholesalers in the province continued to improve in November.** They rose 1.6% (seasonally adjusted), after increasing in the previous two months. Year-to-date, sales were 2.7% higher than in the first eleven months of 1998. Canadian sales were up 7.7%, reflecting double-digit gains in four provinces, including Ontario (+10.0%) and Quebec (+10.5%). Newfoundland (+15.8%) led the country. Saskatchewan (-1.6%) and Alberta (-0.4%) were the only regions where wholesale sales fell below 1998 levels.

  *Source: Statistics Canada*

- **Exports of BC products fell 3.1% (seasonally adjusted) between October and November, as shipments to countries other than the US decreased 15.0%.** This was more than enough to offset a 2.5% increase in shipments to the US. During the last three years, the value of US-bound exports has risen steadily, helping to cushion the impact of a downturn in overseas markets, especially Japan where a decade-long economic slowdown has dampened the demand for BC products. Exports to other Asian markets have begun to recover.

  November's 15.0% drop in overseas exports reflected a sharp decline in forest product shipments (-26.1%), combined with lower exports of agriculture and fish products (-13.2%) and other manufactured goods (-18.4%). However, shipments of forest products to the US were up 3.2% and a nine-month long growth spurt in US-bound exports of other manufactured goods (+2.2%) showed no signs of abating.

  *Source: BC STATS*

- **Just under 25 million tonnes of coal were produced in BC last year, 0.5% more than in 1998.** BC was the only province to increase its coal output in 1999. Preliminary figures suggest that Canadian coal output was 4.0% lower than in 1998.

  Coal prices were depressed in 1999, as stiff competition in export markets led to steep price cuts when coal contracts were negotiated. The average price per tonne of BC coal fell 16.3%, and as a result, the total value of coal production in the

**Report** **BC's economy stalled, but did not shrink, in 1998**

***Did you know...***
***Eight in ten Canadians (82%) read newspapers in 1998, but they were less likely to spend time between the covers of a book. Only 61% had read a book.***

province is expected to be down 15.8% for the year. *Source: Statistics Canada*

- **The number of regular employment insurance (EI) beneficiaries in the province edged down 0.1% (seasonally adjusted), to 58,790, between October and November.** The decline was part of a nationwide trend that saw the number of beneficiaries drop in nearly every region. Yukon (where the number was unchanged), Manitoba (+5.6%) and NWT/Nunavut (+9.8%) were the only exceptions. The number of Canadians receiving EI benefits was down 2.8%, to 501,159.

  *Source: Statistics Canada*

### *Tourism*

- **Room revenue in the province fell 2.8% (seasonally adjusted) in October, to $105.6 million.** The decline in room revenue was the second in the last three months. The three largest regions–Mainland/Southwest (-4.2%), Van- couver Island/Coast (-1.5%) and Thompson/Okanagan (-1.6%)–all saw revenue fall in October. Mainland/Southwest properties have not had a good year, as revenue in the region has decreased in all but one month since April.

  On a more positive note, the less populous regions of the province have been doing better. Revenue in North Coast was up 6.0%, while more modest gains were made in Northeast (+2.7%), Nechako (+1.4%) and Kootenay (+1.0%).

  *Source: BC STATS*

### *Physical Activity*

- **Two out of every three British Columbians regularly participated in leisure time physical activities (12 or more times per month) during 1996/97.** Another 19% occasionally participated (4 to 11 times a month), while 15% engaged in physical activities only infrequently (0 to 3 times a month). BC had the highest participation rate in the country. The national average was 60%. Walking was the most popular activity, with a 72% participation rate in British Columbia, more than in any other province. BC also led the country in terms of the percentage of people who do home exercises (36%), bicycle (28%), swim (28%), do weight training (16%) and golf (15%).

  *Source: Health Canada, National Population Health Survey Highlights*

- **Twenty-seven percent of British Columbians aged 12 and over (32% of men and 22% of women) were sufficiently physically active during their leisure time to obtain optimal health benefits in 1996/97.** BC had the highest proportion of physically active people in the country. Despite this, half the population (50%) was inactive (with less than half the recommended physical activity per day), while 24% were moderately active. Nationally, 21% of Canadians were active, 23% were moderately active, and 57% were inactive in their leisure time.

  *Source: Health Canada, National Population Health Survey Highlights*

### *Public Debt*

- **The net debt of federal, provincial and local governments in Canada was $848 billion–95% of the nation's GDP–in the 1997/98 fiscal year.** This was down 0.4% from the previous fiscal year, when the total indebtedness of the three levels of government was $851 billion. The decline in the debt level was the first since 1966, and was due to a $6.5 billion decrease in the size of the federal debt. The net debt of provincial and local governments continued to grow. Provincial and local data are not yet available for the 1998/99 fiscal year, but federal government statistics show that the federal debt continued to fall (to $578 billion) in the last fiscal year.

  The federal government's debt was $582 billion in 1997/98, with the remainder of the debt incurred by provincial ($245 billion) and local ($21 billion) governments. Of the $245 billion owed by provincial governments, BC's debt load was among the lowest in the country, at $6.6 billion, or $1,641 per capita. Alberta, with a provincial debt of $1.6 billion, or $555 per capita, was the only province where the debt load was smaller. Newfoundland ($13,962) and Quebec ($11,951) had the highest per capita debt in the country in 1997/98. *Source: SC, Public Institutions Division*

  *These figures measure direct debt incurred by government agencies and ministries, and have been adjusted by Statistics Canada to make them consistent with definitions and concepts used in the Financial Management System of accounting.*

**highlights,** Issue 00-04
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*For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the publication name or catalogue number.*

January 28, 2000

# Infoline Report: BC's economic performance in the 1990s

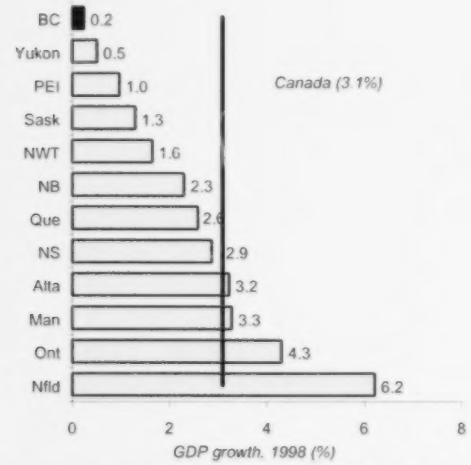
Contact: Lillian Hallin / (250) 387-0366

Originally published in December 1999 issue, *Business Indicators*. Annual subscription: $60 + GST

## *BC's economy stalled, but did not shrink, in 1998*

Data recently released by Statistics Canada suggests that BC's economy stalled in 1998, with real[1] gross domestic product (GDP) remaining virtually unchanged (+0.2%) from the previous year. The lack of economic growth came as no surprise, as most economists believed that BC was in a recession. Forecasters had predicted declines of as much as one percent for 1998. The fact that the economy actually expanded marginally was better news than had been anticipated.

## *For the first time since the early 1980s, the province trailed behind every other region of Canada in 1998*

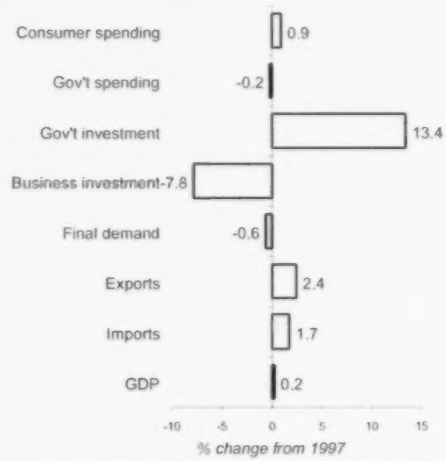



Despite the better-than-expected performance, the province slipped to last place among the Canadian regions for the first time since the early 1980s. Canada's economy grew 3.1% in 1998, led by a 6.2% expansion in Newfoundland, which is beginning to reap the benefits of Hibernia offshore oil production. Ontario's strong manufacturing sector fuelled its economic expansion (+4.3%) in 1998. Manitoba (+3.3%) and Alberta (+3.2%) were the only other regions to experience above-average growth in 1998.

## *Weak domestic demand, particularly in the business sector, was the main reason for the lack of growth*

British Columbia's anaemic economic performance in 1998 was largely attributable to a decline in business sector investment. Overall, business spending on structures and equipment was down 7.8%, marking the third time in the last four years that it has fallen. Saskatchewan (-7.9%), Yukon (-1.1%) and Newfoundland (-0.5%) were the only other regions where businesses cut back on their investment spending during 1998. However, most parts of the country saw investment increase significantly less in 1998 than it had in the previous year. Nationally,

## *Business investment fell, offsetting increases in consumer spending and government investment*




[1] All of the figures quoted in this article are in constant (1992) dollars, which means that they have been adjusted to remove the effects of inflation (i.e., they are expressed in 1992 prices).

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business spending on structures and equipment rose only 3.4% after growing 16.9% in 1997.

In BC, the residential sector, which has struggled during the last few years, shrank 10.3%, while spending on non-residential structures fell even more (-12.4%). At the same time, purchases of machinery and equipment dropped to 1.0% below the 1997 level.

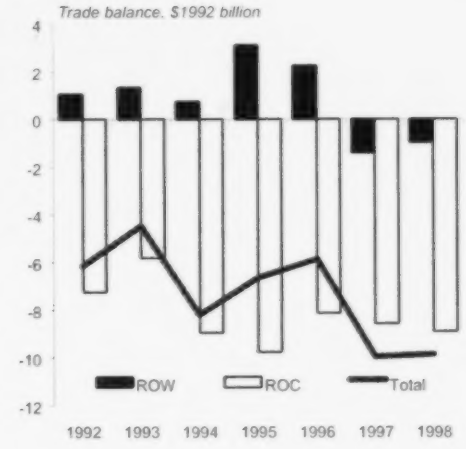
Offsetting the decline in business investment was a 0.9% increase in consumer purchases of goods and services. This was considerably weaker than the 4.2% gain seen in 1997, and represented the smallest rise in consumer spending since the beginning of the decade. Consumer expenditures on services were up 1.5% and spending on non-durable (+0.6%) and semi-durable (+0.3%) goods also increased. However, purchases of consumer durables, a key indicator of consumer confidence, fell 0.9% in 1998.

Investment by the government sector provided a boost to the economy. Total spending on structures and equipment was up 13.4%, as federal, provincial and local government investment in structures (+13.6%) and machinery and equipment (+12.8%) increased substantially. However, governments kept a tighter rein on wages, salaries and other operating costs, which fell 0.2%.

### *An improvement in the trade deficit helped offset the decline in final demand*

The decline in business investment was strong enough to offset the increased spending by the personal and government sectors. Final domestic demand decreased 0.6% in 1998, indicating that BC's weak economic performance in 1998 was due to factors within, rather than outside, the province. The marginal increase (+0.2%) in GDP occurred because BC's trade deficit with other countries (ROW) and other provinces (ROC) improved slightly (from -$10.0 billion to -$9.9 billion) in 1998. This, together with a $264 million increase in the value of inventories held by businesses, brought GDP growth up to 0.2% for the year.

### *The province's overall trade deficit improved slightly in 1998, but remains much larger than in the past*




The modest improvement in BC's trade deficit came as imports of goods and services increased less (+1.7%) than the province's total exports (+2.4%). BC's trade deficit with the rest of Canada worsened slightly in 1998 (from -$8.6 billion to -$8.9 billion), but this was offset by an improvement (from -$1.4 billion to -$1.0 billion) in the international trade deficit.

Historically, an overall trade surplus (goods and services) with other countries has partly counterbalanced BC's deficit with the rest of Canada. But in the last two years the province has imported more goods from other countries than it has exported to them. A surplus in foreign trade in services has not been large enough to compensate for the deficit on the goods side.

### *The province benefits from its location as the Pacific gateway to Canada*

The low value of the Canadian dollar, together with a booming US economy, may have boosted the volume of exports from BC during 1998. Despite the dampening effect of the Asian crisis on foreign demand for BC products, the province's total international exports were up 2.0% in 1998. The value of goods shipped to

other countries rose 1.4%, while service exports increased at more than double (+3.7%) that rate.

British Columbia's location as the Pacific gateway to Canada has cushioned the province from some of the effects of the collapse in Asian markets. Vancouver's port is the busiest in Canada, shipping goods produced in BC and other parts of Canada to international destinations, and serving as the point of entry for many commodities coming into the country from the Far East and the western seaboard of the United States.

BC firms provide transportation, wholesaling and other services to foreign purchasers of Canadian products, and to foreign producers of goods entering Canada via BC. This trade in services also occurs with other provinces. For example, when prairie grain is shipped from BC ports, the economic activity associated with bringing the grain from the BC/Alberta border to the point at which it leaves the country is attributed to BC because it takes place within the province's boundaries. In the same way, BC businesses benefit when other provinces import goods that enter Canada via the west coast. This means that, to a certain extent, the province is able to ride on the coat tails of increased economic activity in the rest of Canada.

Service exports, especially transportation, wholesaling and financial services, are BC's most important inter-provincial exports. After forest products, they are the province's most important source of international export revenues. In 1998, international and inter-provincial service exports contributed $14.0 billion to BC's GDP, equivalent to more than half the value ($25.7 billion) of all goods exported to other countries and provinces. A 3.3% increase in service exports was one of the main reasons for the improvement in BC's trade deficit last year. However, both international (+1.4%) and inter-provincial (+4.3%) exports of goods also expanded in 1998.

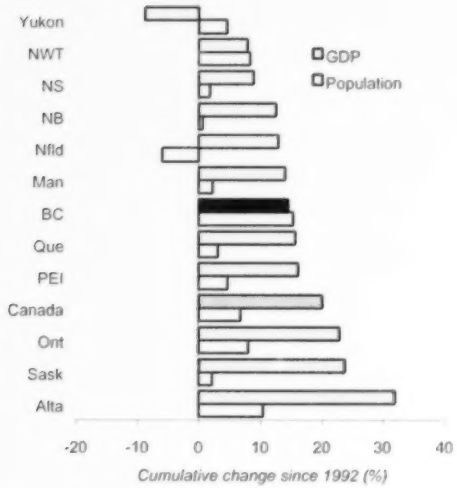
### *BC's economic situation during the 1990s has been quite different from that in the rest of the country*

BC's economy has not performed well during most of the 1990s. GDP growth has been below the Canadian average in all but two years since 1993, and compared to Ontario and Alberta (the other "have" provinces), British Columbia's record has been somewhat dismal. During the period since 1992, Alberta's economy has expanded by nearly a third (32%), while Ontario has grown 23%. Saskatchewan (24%) has also outperformed the Canadian average (20%). In BC, the economy has grown only 15% during this period, a rate comparable to that seen in most parts of Atlantic Canada.

### *Economic growth in BC has been below the Canadian average during most of the 1990s*

The slow GDP growth has occurred despite the fact that the population has been expanding at a fast clip. In fact, until 1998, British Columbia had the fastest-growing population in the country. Its population increased 15% between 1992 and 1998–more than double the national average (+7%), and nearly fifty percent more than in second-place Alberta, where the population has increased by 11% since 1992.

***BC's population has grown more rapidly than its economy since 1992***




BC is unique among the provinces in that the size of its economy has not grown as much as its population since the beginning of the decade. Only the territories have seen a similar phenomenon. In the rest of the country, economic growth has been well in excess of population gains.

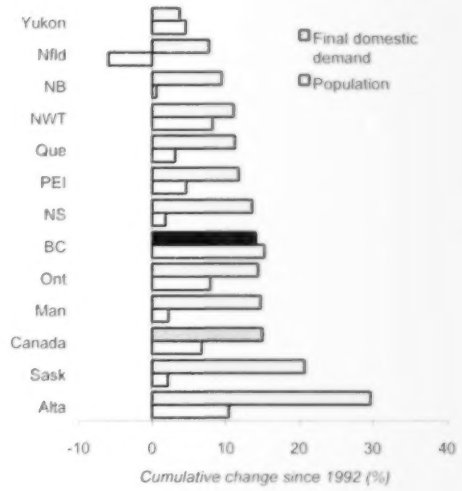
This suggests that the influx of people into the province since 1992 has not stimulated economic growth to the extent that might have been expected. Population growth is often viewed as a driving factor in GDP gains, but this does not seem to be the case in BC. The new arrivals in the province have not boosted the demand for goods and services to the same extent that they have in other parts of the country. Or have they?

One way to answer this question is to look at what's happened to final domestic demand–total spending on goods and services by residents of the province. This includes consumer purchases of goods and services produced in the region or imported from other provinces and countries. Also included is investment in structures and equipment, plus current expenditures made by federal, provincial and local governments.

Like GDP, final domestic demand has not increased as much as the population, an experience that is contrary to that in every other part of the country. However, the cumulative growth in the demand for goods and services in BC (+14% since 1992) is only marginally less than the Canadian average of 15%. This suggests two conclusions: first, that BC's lower-than average GDP growth is largely due to its external trade; and second, that while the influx of people into the province has undoubtedly boosted the demand for goods and services in the province, the effect has been weaker than in the rest of the country. The question then becomes, what is the source of this weakness?

Looking at the components of final demand, some interesting trends emerge. First, we see that personal expenditures in the province have increased commensurately with population growth. Since 1992, consumer spending in the province has risen more (+20%) than anywhere else in Canada except Alberta (+23%). The average increase for all of Canada was 18% over this period. At the same time, federal,

***Final domestic demand in the province has also failed to keep pace with population growth***

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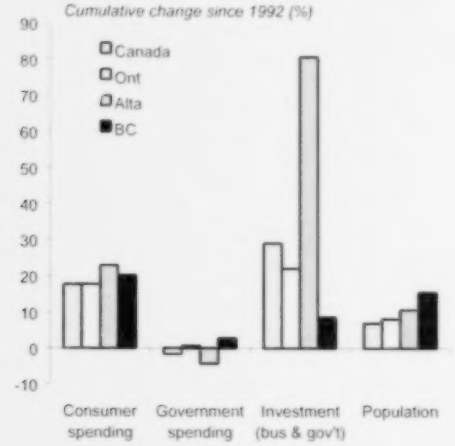
***Consumer spending has increased faster than the population, but investment growth in BC has been weak***



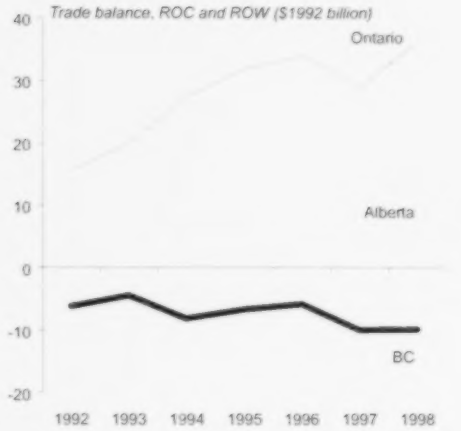

provincial and local government spending on goods and services (+3%) has increased in BC but has decreased (-2%) at the national level.

It is in the area of investment that BC has fallen behind the rest of Canada. Investment growth (+8%) in the province has been weaker than in any other region except Yukon, where it has declined 17% since 1992. Nationally, business and government spending on fixed capital has risen 29% since 1992. Alberta (+81%) and Ontario (+22%) have seen significant increases in spending on plant and equipment during the 1990s. This has contributed to the strength of the economies of Canada's two other "have" provinces.

A combination of factors has been responsible for BC's weak investment growth during the 1990s. Probably the most important is the collapse of the housing market. Despite an influx of people from other provinces and from the rest of the world, the value of residential construction in the province remains below 1992 levels. This suggests that, while in-migration has boosted the demand for goods and services in BC, it hasn't generated a similar stimulus in the housing market. The weakness in the residential construction sector is reflected in the fact that the cost of new housing in the province has been declining steadily since 1994.

BC has also seen below-average increases in business investment in structures (+18%, compared to 32% nationally) and machinery (+36%, compared to 67%). Government spending on structures (+2%, compared to a 15% decline at the national level) and equipment (+45%, compared to +40%) has risen more than in other parts of the country, but this has only partly mitigated the effect of lower spending by the business sector.

***BC is the only "have" province that has consistently had an overall trade deficit***

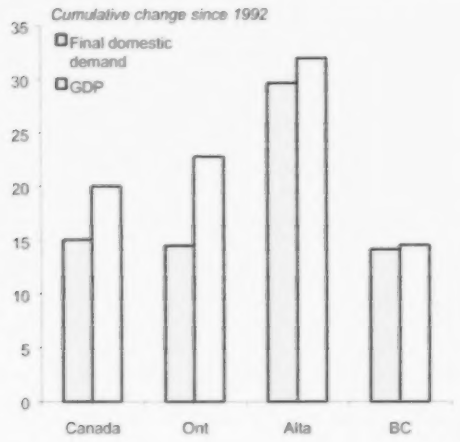



Slower than average growth in final demand is only part of the explanation for BC's poor showing compared to Alberta and Ontario. Both of these provinces export more goods and services to other countries and provinces than they import from them. They are the only regions that have overall trade surpluses. Alberta's surplus is mainly due to trade–mostly in energy products–with other countries. Ontario sells more goods and services to other provinces, and to other countries, than it buys from them. It has had an international trade surplus in every year since 1993. The reverse is true in BC–and in the rest of Canada–where the value of imports exceeds total exports.

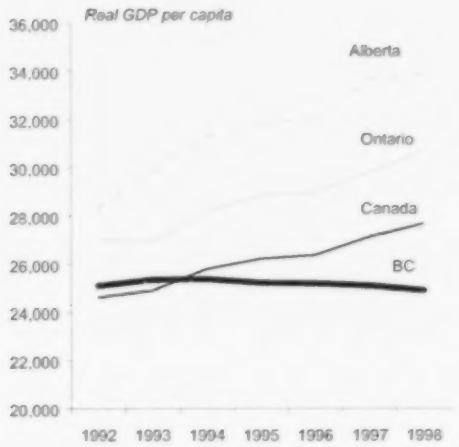
During the 1990s, Ontario's large surplus has grown quite significantly (from $15.5 billion in 1992 to $36.2 billion in 1998). Alberta has seen some ups and downs, but its trade surplus was $5.1 billion in 1998, just over a billion dollars more than in 1992 ($4.1 billion).

At the same time, British Columbia's trade deficit has worsened, going from -$6.1 billion to -$9.9 billion. This reflects, in part, the demand made by a growing population for goods and services produced outside the province. In other words, purchases of goods and services produced outside the province do not necessarily foster GDP growth.

***Inventory changes and the external sector provide more of a boost to the economies of Ontario and Alberta than they do to BC's***




***On a per capita basis, GDP in the province has declined since 1992***




Taken together, the cumulative effects of below-average growth in final demand (largely due to weak business investment), and a trade deficit that has increased by 60% since 1992 have dampened BC's overall GDP growth. These factors, plus a rapidly growing population, have contributed greatly to the decline in per capita GDP during the 1990s.

A turnaround in business investment could help British Columbia's economy regain some of the ground that it has lost, thereby boosting per capita GDP. However, the province will remain vulnerable to the vagaries of external markets for products such as lumber unless it is able to develop a more diversified manufacturing base, or to further exploit its potential to supply specialized services to other countries and to the rest of Canada.

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# Infoline

January 28, 2000

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## BC at a glance . . .

| **POPULATION (thousands)** | Oct 1/99 | % change on one year ago |
|---|---|---|
| BC | 4,037.2 | 0.8 |
| Canada | 30,572.5 | 0.8 |
| **GDP and INCOME** | | % change on |
| *(BC - at market prices)* | 1998 | one year ago |
| Gross Domestic Product (GDP) *($ millions)* | 110,948 | -0.2 |
| GDP *($ 1992 millions)* | 99,708 | 0.2 |
| GDP *($ 1992 per Capita)* | 24,908 | -0.8 |
| Personal Disposable Income *($ 1992 per Capita)* | 15,969 | -1.6 |
| **TRADE ($ millions)** | | |
| Manufacturing Shipments (seas. adj.) Nov | 3,171 | 8.5 |
| Merchandise Exports (raw) Nov | 2,316 | 6.1 |
| Retail Sales (seasonally adjusted) Nov | 2,807 | 3.0 |
| **CONSUMER PRICE INDEX** | | % change on |
| *(all items - 1992=100)* | Dec '99 | one year ago |
| BC | 111.6 | 1.7 |
| Canada | 111.5 | 2.6 |
| **LABOUR FORCE (thousands)** | | % change on |
| *(seasonally adjusted)* | Dec '99 | one year ago |
| Labour Force - BC | 2,091 | 1.4 |
| Employed - BC | 1,918 | 1.3 |
| Unemployed - BC | 172 | 2.1 |
| | | Dec '98 |
| Unemployment Rate - BC *(percent)* | 8.2 | 8.2 |
| Unemployment Rate - Canada *(percent)* | 6.9 | 8.0 |
| **INTEREST RATES (percent)** | Jan 26/00 | Jan 27/99 |
| Prime Business Rate | 6.50 | 6.75 |
| Conventional Mortgages - 1 year | 7.60 | 6.40 |
| - 5 year | 8.55 | 6.90 |
| **US/CANADA EXCHANGE RATE** | Jan 26/00 | Jan 27/99 |
| *(avg. noon spot rate)* Cdn $ | 1.4378 | 1.5207 |
| US $ *(reciprocal of the closing rate)* | 0.6952 | 0.6579 |
| **AVERAGE WEEKLY WAGE RATE** | | % change on |
| *(industrial aggregate - dollars)* | Dec '99 | one year ago |
| BC | 635.95 | 1.4 |
| Canada | 604.46 | 3.5 |

**SOURCES:**

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bank-banque-canada.ca/english/wfsgen.htm

### Released this week by BC STATS

- Business Indicators, January 2000
- Current Statistics, January 2000
- Exports, November 1999
- Tourism Room Revenue, October 1999

### Next week

- No subscription releases

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